



Joint Legislative Audit Committee
Office of the Auditor General



FINANCIAL AUDIT REPORT
DEPARTMENT OF WATER RESOURCES
YEAR ENDED JUNE 30, 1978

REPORT TO THE
CALIFORNIA LEGISLATURE

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

825

FINANCIAL AUDIT REPORT
DEPARTMENT OF WATER RESOURCES
YEAR ENDED JUNE 30, 1978

MARCH 1980



THOMAS W. HAYES
AUDITOR GENERAL

California Legislature

Office of the Auditor General

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April 2, 1980

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The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's financial audit report of the Department of Water Resources, year ended June 30, 1978.

The auditors are Curt Davis, CPA, Audit Manager; Merrill Tompkins, CPA; Walter Reno; Arthur Rogers; and Patricia Nishi, CPA.

Respectfully submitted,

S. FLOYD MORI
Assemblyman, 15th District
Chairman, Joint Legislative
Audit Committee

Attachment

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
AUDITOR'S OPINION	3
FINANCIAL STATEMENTS	
COMBINED BALANCE SHEET	
ALL FUND TYPES AND ACCOUNT GROUPS	4
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND OPERATING CLEARING	
ALL GOVERNMENTAL FUND TYPES	5
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND OPERATING CLEARING - BUDGET AND ACTUAL	
ALL GOVERNMENTAL FUND TYPES	6
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES	
ALL PROPRIETARY FUND TYPES	8
COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION	
ALL PROPRIETARY FUND TYPES	9
NOTES TO THE FINANCIAL STATEMENTS	10
SUPPLEMENTAL AND OTHER INFORMATION	19
COMBINING BALANCE SHEETS	
ALL SPECIAL REVENUE FUNDS	20
ALL ENTERPRISE FUNDS	21

	<u>Page</u>
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND OPERATING CLEARING - BUDGET AND ACTUAL	
ALL SPECIAL REVENUE FUND TYPES	22
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE	
ALL ENTERPRISE FUNDS	23
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION	
ALL ENTERPRISE FUNDS	24

INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee and in compliance with federal Office of Revenue Sharing regulations, we have conducted a financial audit of the Department of Water Resources. This audit was conducted under the authority vested in the Auditor General by Section 10527 of the Government Code.

The Department of Water Resources has three primary objectives: (1) to provide the necessary framework for the effective management of the State's water resources, (2) to assure public safety and prevent property damage from water-related causes, and (3) to furnish technical services as needed. The department accomplishes these objectives through two major programs--the California Water Plan and the State Resources Development Systems.

Public safety and prevention of property damage are ensured through (1) flood control operations and subventions, (2) dam safety supervision, and (3) safe drinking water projects. In addition, specialized professional and technical services are provided under contract to local, state, and federal agencies, as appropriate.

The activities of the Department of Water Resources are financed primarily by budget appropriations, bond proceeds, tideland oil revenues, investment earnings, and payments from water and power users.

AUDITOR'S OPINION

To the Joint Legislative Audit Committee of the California Legislature:

We have examined the combined balance sheet of the Department of Water Resources as of June 30, 1978 and the related statements of revenues, expenditures, and changes in fund balance, operating clearing, and financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the Department of Water Resources as of June 30, 1978 and the results of operations and changes in fund balance and operating clearing for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The accompanying supplemental information and the columns on the accompanying financial statements captioned "Total - Memorandum Only" for June 30, 1978 are not necessary for a fair presentation of the financial statements but are presented as additional analytical data. The supplemental information has been subjected to the tests and other auditing procedures applied in the examination of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The column amounts on the aforementioned financial statements for the year ended June 30, 1977, which are presented for comparative purposes only, were not audited by us and accordingly we do not express an opinion on them.



WESLEY E. MOSS
Assistant Auditor General

Date: September 15, 1979

Staff: Curt Davis, CPA
Merrill Tompkins, CPA
Walter Reno
Arthur Rogers
Patricia Nishi, CPA

DEPARTMENT OF WATER RESOURCES
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 1978
 (With Unaudited Amounts for 1977)

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total	
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Special Deposit	General Fixed Assets	General Long-Term Debt	(Memorandum Only)	
									June 30, 1978	June 30, 1977
ASSETS										
Cash in State Treasury and Agency Accounts	\$ 159,625	\$ 61,171	\$28,779,809	\$ 439,483	\$ 651,354	\$374	\$ --	\$ --	\$ 30,091,716	\$ 1,207,289
Cash with Fiscal Agent (Note 2)	--	--	--	56,754,220	--	--	--	--	56,754,220	53,024,693
Investment in Securities (Note 3)	--	--	--	32,991,273	--	--	--	--	32,991,273	65,298,493
Deposits in Surplus Money	--	19,918,000	--	100,059,500	2,688,000	--	--	--	122,665,500	90,855,500
Accounts Receivable - Current (Note 4)	1,811	888,650	--	9,466,058	2,456,661	--	--	--	12,813,180	11,627,512
Due from the Federal Government	--	--	--	113,953	--	--	--	--	113,953	--
Advances to the Federal Government	854,035	--	--	--	--	--	--	--	854,035	660,140
Advances to the Architecture Revolving Fund	--	--	--	--	12,913	--	--	--	12,913	34,375
Advances to Employees	--	--	--	--	75,773	--	--	--	75,773	91,638
Deferred Charges (Note 5)	--	--	--	--	1,086,744	--	--	--	1,086,744	1,233,962
Accounts Receivable - Other (Note 6)	155,125	10,894,847	372,558	60,150,438	126,166	--	--	--	72,199,134	68,603,965
Due from Other Funds	1,655	319,595,797	--	246,602	7,448,864	--	--	--	327,292,918	304,943,622
Allowance for Deferred Receivables	(155,125)	(330,490,644)	(872,558)	(5,732,904)	(126,166)	--	--	--	(337,377,397)	(312,289,714)
Prepayments to Other Funds	1,700,000	--	--	6,560,000	--	--	--	--	8,260,000	8,260,000
Supplies Inventories (Note 15)	18,173	96,200	--	13,080	--	--	--	--	127,453	86,811
Construction in Progress	--	--	--	1,394,274	273,598	--	--	--	1,667,872	1,536,713
State Water Project Facilities Land	--	--	--	2,343,925,470	--	--	--	--	2,343,925,470	2,320,563,613
Improvements	--	--	--	--	533,666	--	24,059,951	--	24,059,951	23,979,629
Equipment	--	--	--	--	17,324,664	--	919,662	--	1,453,328	1,488,768
Equipment in Federal Custody	--	--	--	--	--	--	108,193	--	17,932,957	16,789,960
Accumulated Depreciation (Note 14)	--	--	--	--	(5,030,365)	--	22,382	--	(5,030,365)	(4,524,092)
Amount for Debt Service (Note 9)	--	--	--	373,780,000	--	--	--	30,000,000	403,780,000	375,505,000
Total Assets	\$2,735,199	\$ 20,964,021	\$28,779,809	\$2,997,357,570	\$28,021,872	\$374	\$25,110,188	\$30,000,000	\$3,132,969,033	\$3,046,196,282
LIABILITIES, ENCUMBRANCES OUTSTANDING, AND FUND EQUITY										
Liabilities:										
Accounts Payable	\$3,467,593	\$ 2,890,165	\$ 31,654	\$ 8,676,654	\$ 2,878,902	\$ --	\$ --	\$ --	\$ 17,944,968	\$ 14,098,279
Accrued Interest on Bonds Payable	--	--	--	17,337,470	--	--	--	--	17,937,470	17,940,707
Prepayments from Other Funds (Note 7)	--	--	--	--	9,260,000	--	--	--	8,260,000	8,260,000
Due to Other Funds	1,832,146	1,962,819	14,780	323,310,933	128,695	--	--	--	327,249,373	304,724,024
Revenue Collected in Advance	23,733	--	--	661,190	27,518	--	--	--	712,441	3,023,104
Bonds Payable (Note 10)	--	--	--	1,913,580,000	--	--	30,000,000	--	1,943,580,000	1,916,605,000
Other Liabilities	--	--	--	17,196,123	944,317	--	--	--	18,140,440	19,382,651
Total Liabilities	5,323,472	4,852,984	46,434	2,281,362,370	12,239,432	--	30,000,000	--	2,333,824,692	2,284,475,765
Encumbrances Outstanding	550,051	566,574	--	--	--	--	--	--	1,116,625	745,741
Fund Equity:										
State Contributions in Aid of Construction (Note 11)	--	--	--	112,596,663	--	--	--	--	112,596,663	114,439,511
Investment in General Fixed Assets	--	--	--	--	--	--	25,110,188	--	25,110,188	25,074,979
Reserve for Investment in Fixed Assets	--	--	--	--	9,517,515	--	--	--	9,517,515	8,874,769
Working Capital Advance (Note 8)	--	--	--	--	6,224,073	--	--	--	6,224,073	6,224,073
Unclaimed Checks and Deposits Reserved for Construction	--	--	--	--	12,913	62	--	--	62	38
Reserved for Debt Service	--	--	--	373,780,000	--	--	--	--	373,780,000	375,505,000
Reserved for Condemnation Deposits	18,173	96,200	--	13,080	--	--	--	--	127,453	86,811
Funded Reserve for Replacements	--	--	--	8,765,160	--	--	--	--	8,765,160	7,369,951
Other Reserves	854,035	--	--	--	--	--	--	--	854,035	843,744
Fund Balance	--	15,833,255	28,733,375	220,840,297	27,939	312	--	--	265,435,178	225,867,040
Operating Clearing (Note 12)	(4,010,332)	(384,392)	--	--	--	--	--	--	(4,395,524)	(3,345,515)
Total Fund Equity	(3,138,324)	15,544,463	28,733,375	715,995,200	15,782,440	374	25,110,188	--	798,027,716	760,974,776
Total Liabilities, Encumbrances Outstanding, and Fund Equity	\$2,735,199	\$ 20,964,021	\$28,779,809	\$2,997,357,570	\$28,021,872	\$374	\$25,110,188	\$30,000,000	\$3,132,969,033	\$3,046,196,282

The notes to the financial statements are an integral part of this statement.

DEPARTMENT OF WATER RESOURCES
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE AND OPERATING CLEARING
 ALL GOVERNMENTAL FUND TYPES

For the Fiscal Year Ended June 30, 1978
 (With Unaudited Amounts for 1977)

	Governmental Fund Types			Total (Memorandum Only)	
	General	Special Revenue	Capital Projects	June 30, 1978	June 30, 1977
Revenues:					
Tidelands Oil and Gas	\$ --	\$25,000,000	\$ --	\$ 25,000,000	\$ 25,000,000
Interest on Investments and Loans	--	1,597,277	--	1,597,277	1,050,751
Mineral Royalties	587,566	--	--	587,566	606,300
Other Miscellaneous Revenues	536,303	1,513	--	537,816	416,474
Total Revenues	<u>1,123,869</u>	<u>26,598,790</u>	<u>--</u>	<u>27,722,659</u>	<u>27,073,525</u>
Other Sources:					
Appropriations	38,670,077	65,623	--	38,735,700	24,270,218
Total Sources	<u>39,793,946</u>	<u>26,664,413</u>	<u>--</u>	<u>66,458,359</u>	<u>51,343,743</u>
Expenditures:					
Current:					
Support	34,541,878	--	208,773	34,750,651	32,112,428
Local Assistance	4,371,896	447,893	872,558	5,692,347	2,409,785
Research and Development	--	111,400	--	111,400	110,885
Treasurer's Expense	--	--	9,440	9,440	--
Capital Outlay:					
State Water Facilities	--	22,869,921	--	22,869,921	20,460,055
Additional Facilities	977,228	476,276	--	1,453,504	832,467
Total Expenditures	<u>39,891,002</u>	<u>23,905,490</u>	<u>1,090,771</u>	<u>64,887,263</u>	<u>55,925,620</u>
Excess of Sources over (under) Expenditures	<u>(97,056)</u>	<u>2,758,923</u>	<u>(1,090,771)</u>	<u>1,571,096</u>	<u>(4,581,877)</u>
Other Financing Sources (Uses):					
Bond Proceeds	--	--	30,000,000	30,000,000	--
Reimbursements	13,123,333	--	--	13,123,333	11,998,671
Loan Repayments	--	61,900	--	61,900	59,500
Prior Year Adjustment	(964,051)	(516)	298	(964,269)	1,236,496
Refunds to Reverted Appropriations	12,019	--	--	12,019	47,021
Transfer of Accountability to the State Controller	(12,741,982)	--	--	(12,741,982)	(914,918)
Total Other Financing Sources (Uses)	<u>(570,681)</u>	<u>61,384</u>	<u>30,000,298</u>	<u>29,491,001</u>	<u>12,426,770</u>
Excess of Sources over (under) Expenditures and Other Uses	<u>(667,737)</u>	<u>2,820,307</u>	<u>28,909,527</u>	<u>31,062,097</u>	<u>7,844,893</u>
Fund Balance - July 1	--	12,630,678	(176,152)	12,454,526	7,091,348
Operating Clearing - July 1 (Note 12)	<u>(3,342,795)</u>	<u>(2,722)</u>	<u>--</u>	<u>(3,345,517)</u>	<u>(5,827,237)</u>
Fund Balance - June 30	--	15,833,255	28,733,375	44,566,630	12,454,524
Operating Clearing - June 30 (Note 12)	<u>\$ (4,010,532)</u>	<u>\$ (384,992)</u>	<u>\$ --</u>	<u>\$ (4,395,524)</u>	<u>\$ (3,345,517)</u>

The notes to the financial statements are an integral part of this statement.

DEPARTMENT OF WATER RESOURCES
(Page 1 of 2)

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE AND OPERATING CLEARING - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUND TYPES

FOR THE FISCAL YEAR ENDED JUNE 30, 1978

	General Fund			Special Revenue Funds		
	Budget as Adjusted	Actual	Variance-Favorable (Unfavorable)	Budget as Adjusted	Actual	Variance-Favorable (Unfavorable)
Revenues:						
Tidelands Oil and Gas	\$ --	\$ --	\$ --	\$25,000,000	\$25,000,000	\$ --
Interest on Investments and Loans	--	--	--	1,034,897	1,597,277	562,380
Mineral Royalties	480,000	587,566	107,566	--	--	--
Other Miscellaneous Revenues	401,000	536,303	135,303	--	1,513	1,513
Total Revenues	881,000	1,123,869	242,869	26,034,897	26,598,790	563,893
Other Sources:						
Appropriations	28,984,523	38,670,077	9,685,554	480,000	65,623	(414,377)
Total Sources	29,865,523	39,793,946	9,928,423	26,514,897	26,664,413	149,516
Expenditures:						
Current:						
Support	37,326,369	34,541,878	2,784,491	--	--	--
Local Assistance	5,700,000	4,371,896	1,328,104	480,000	447,893	32,107
Research and Development	--	--	--	111,400	111,400	--
Treasurer's Expense	--	--	--	--	--	--
Capital Outlay:						
State Water Facilities	--	--	--	25,000,000	22,869,921	2,130,079
Additional Facilities	829,254	977,228	(147,974)	3,800,000	476,276	3,323,724
Total Expenditures	43,855,623	39,891,002	3,964,621	29,391,400	23,905,490	5,485,910
Excess of Sources over (under) Expenditures	(13,990,100)	(97,056)	13,893,044	(2,876,503)	2,758,923	5,635,576
Other Financing Sources (Uses):						
Bond Proceeds	--	--	--	--	--	--
Reimbursements	14,871,100	13,123,333	(1,747,767)	--	--	--
Loan Repayments	--	--	--	--	61,900	61,900
Prior Year Adjustment	--	(964,051)	(964,051)	--	(516)	(516)
Refunds to Reverted Appropriations	--	12,019	12,019	--	--	--
Transfer of Accountability to the State Controller	(13,990,100)	(12,741,982)	1,248,118	--	--	--
Total Other Financing Sources (Uses)	881,000	(570,681)	(1,451,681)	--	61,384	61,384
Excess of Sources over (under) Expenditures and Other Uses	\$(13,109,100)	(667,737)	\$12,441,363	\$(2,876,503)	2,820,307	\$5,699,960
Fund Balance - July 1		--			12,630,678	
Operating Clearing - July 1 (Note 12)		(3,342,795)			(2,722)	
Fund Balance - June 30		--			15,833,255	
Operating Clearing - June 30 (Note 12)		\$(4,010,532)			\$(384,992)	

The notes to the financial statements are an integral part of this statement.

Capital Project Fund			Total (Memorandum Only)		
Budget as Adjusted	Actual	Variance- Favorable (Unfavorable)	Budget as Adjusted	Actual	Variance- Favorable (Unfavorable)
\$ --	\$ --	\$ --	\$ 25,000,000	\$ 25,000,000	\$ --
--	--	--	1,034,897	1,597,277	562,380
--	--	--	480,000	587,566	107,566
--	--	--	401,000	537,816	136,816
--	--	--	<u>26,915,897</u>	<u>27,722,659</u>	<u>806,762</u>
--	--	--	<u>29,464,523</u>	<u>38,735,700</u>	<u>9,271,177</u>
--	--	--	<u>56,380,420</u>	<u>66,458,359</u>	<u>10,077,939</u>
900,000	208,773	691,227	38,226,369	34,750,651	3,475,718
59,090,560	872,558	58,218,002	65,270,560	5,692,347	59,578,213
--	--	--	111,400	111,400	--
9,440	9,440	--	9,440	9,440	--
--	--	--	25,000,000	22,869,921	2,130,079
--	--	--	<u>4,629,254</u>	<u>1,453,504</u>	<u>3,175,750</u>
<u>60,000,000</u>	<u>1,090,771</u>	<u>58,909,229</u>	<u>133,247,023</u>	<u>64,887,263</u>	<u>68,359,760</u>
<u>(60,000,000)</u>	<u>(1,090,771)</u>	<u>58,909,229</u>	<u>(76,866,603)</u>	<u>1,571,096</u>	<u>78,437,699</u>
60,000,000	30,000,000	(30,000,000)	60,000,000	30,000,000	(30,000,000)
--	--	--	14,871,100	13,123,333	(1,747,767)
--	--	--	--	61,900	61,900
--	298	298	--	(964,269)	(964,269)
--	--	--	--	12,019	12,019
--	--	--	<u>(13,990,100)</u>	<u>(12,741,982)</u>	<u>1,248,118</u>
<u>60,000,000</u>	<u>30,000,298</u>	<u>(29,999,702)</u>	<u>60,881,000</u>	<u>29,491,001</u>	<u>(31,389,999)</u>
\$ --	28,909,527	\$ <u>28,909,527</u>	\$ <u>(15,985,603)</u>	31,062,097	\$ <u>47,047,700</u>
	(176,152)			12,454,526	
	--			<u>(3,345,517)</u>	
	28,733,375			44,566,630	
\$ --	<u>--</u>			<u>\$ (4,395,524)</u>	

DEPARTMENT OF WATER RESOURCES

COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
ALL PROPRIETARY FUND TYPES

For the Fiscal Year Ended June 30, 1978
(With Unaudited Amounts for 1977)

	Proprietary Fund Types		Total (Memorandum Only)	
	Enterprise	Internal Service	June 30, 1978	June 30, 1977
Operating Revenues:				
Charges for Services	\$ --	\$ 73,361,959	\$ 73,361,959	\$ --
Income from State Water Project (Note 13)	126,311,760	--	126,311,760	134,259,641
Tideland Oil and Gas	5,000,000	--	5,000,000	5,000,000
Interest on Investments and Loans	15,219,216	--	15,219,216	16,490,340
Intergovernmental Revenues	3,161,431	3,184,556	6,345,987	2,261,676
Miscellaneous Revenues	42,258	3,742,415	3,784,673	116,758
Total Operating Revenues	149,734,665	80,288,930	230,023,595	158,128,415
Operating Expenses:				
Current:				
Personal Services	--	56,604,864	56,604,864	51,183,491
Operating Expenses and Equipment - General	--	22,242,762	22,242,762	22,449,024
Operation and Maintenance of State Water Facilities	35,937,103	--	35,937,103	39,408,899
Bond Interest	91,853,273	--	91,853,273	89,792,532
Power	14,474,093	--	14,474,093	10,681,627
Replacement Provision	900,300	--	900,300	900,300
Inventory Adjustment	(91,371)	--	(91,371)	(84,550)
Capital Outlay:				
State Water Facilities	2,174,464	--	2,174,464	18,911,531
Additional Facilities	(38,375)	--	(38,375)	(12,234)
Davis-Grunsky Program	4,886,914	--	4,886,914	5,100,926
Total Operating Expenses	150,096,401	78,847,626	228,944,027	238,331,546
Operating Income	(361,736)	1,441,304	1,079,568	(80,203,131)
Nonoperating Revenues (Expenses):				
Reimbursements	--	3,735,816	3,735,816	4,197,189
Prior Year Adjustment	(1,252,307)	(5,145,159)	(6,397,466)	(1,607,779)
Davis-Grunsky Loan Repayments	134,145	--	134,145	110,344
Miscellaneous Revenues and Other Sources Credited to Capital Outlay	(160,403)	--	(160,403)	(141,493)
Capitalized Expenditures	7,023,003	--	7,023,003	24,000,223
Total Nonoperating Revenues (Expenses)	5,744,438	(1,409,343)	4,335,095	26,558,484
Income before Operating Transfers	5,382,702	31,961	5,414,663	(53,644,647)
Operating Transfers In (Out)	2,041,104	--	2,041,104	71,478,842
Net Income	7,423,806	31,961	7,455,767	17,834,195
Fund Balance - July 1	213,416,491	(4,022)	213,412,469	201,802,347
Fund Balance - June 30	<u>\$220,840,297</u>	<u>\$ 27,939</u>	<u>\$220,868,236</u>	<u>\$219,636,542</u>

The notes to the financial statements are an integral part of this statement.

DEPARTMENT OF WATER RESOURCES
 COMBINED STATEMENT OF CHANGES IN
 FINANCIAL POSITION - ALL PROPRIETARY FUND TYPES

For the Fiscal Year Ended June 30, 1978
 (With Unaudited Amounts for 1977)

	Proprietary Fund Types		Total (Memorandum Only)	
	Enterprise	Internal Service	June 30, 1978	June 30, 1977
<u>Sources of Working Capital</u>				
Operations:				
Net Income (Loss)	\$ 7,423,806	\$ 31,961	\$ 7,455,767	\$ 17,834,197
Items Not Requiring (Providing) Working Capital:				
Depreciation	--	506,273	506,273	216,313
Amortization of General Obligation Bond Premium and Prepaid Interest	--	--	--	(65,226)
Working Capital Provided by Operations	7,423,806	538,234	7,962,040	17,985,284
Issuance of General Obligation Bonds	10,000,000	--	10,000,000	--
Deposits to Funded Reserve for Replacements	1,395,209	--	1,395,209	1,266,953
Deficiency of Energy Supplied under Oroville- Thermalito Power Sale Contract	3,100,783	--	3,100,783	1,800,847
Non-operating Adjustments	--	825,610	825,610	125,132
Completion of Water Contractor Specialized Facilities	14,508	--	14,508	4,537
Collection of Long-Term Receivables	--	--	--	26,505
Total Sources of Working Capital	<u>21,934,306</u>	<u>1,363,844</u>	<u>23,298,150</u>	<u>21,209,258</u>
<u>Uses of Working Capital</u>				
Net Increase in Capitalized Water Project				
Expenditures from the California Water Fund	21,844,219	--	21,844,219	20,408,378
Retirement of General Obligation Bonds	11,300,000	--	11,300,000	8,100,000
Loans to Local Agencies under the Davis-Grunsky Program	3,702,672	--	3,702,672	5,164,065
Payment of Davis-Grunsky Grants and Administrative Expenses	1,842,849	--	1,842,849	609,733
Retirement of Oroville Revenue Bonds	1,725,000	--	1,725,000	1,635,000
Construction of State Water Project Facilities	1,517,638	--	1,517,638	18,911,037
Acquisition of Equipment	--	1,152,670	1,152,670	733,954
Increase in Long-Term Receivables	--	105,312	105,312	--
Total Uses of Working Capital	<u>41,932,378</u>	<u>1,257,982</u>	<u>43,190,360</u>	<u>55,562,167</u>
Net Increase (Decrease) in Working Capital	<u>\$(19,998,072)</u>	<u>\$ 105,862</u>	<u>\$(19,892,210)</u>	<u>\$(34,352,909)</u>
<u>Elements of Net Increase (Decrease) in Working Capital</u>				
Cash in State Treasury and Agency Accounts	\$ (12,794)	\$ 230,443	\$ 217,649	\$ (564,539)
Cash with Fiscal Agent	3,729,527	--	3,729,527	4,036,437
Investment in Securities	(32,307,220)	--	(32,307,220)	(38,932)
Deposits in Surplus Money Investment Fund	28,463,000	(1,779,000)	26,684,000	(14,663,000)
Accounts Receivable - Current	(73,774)	936,280	862,506	1,970,283
Advances for Construction	--	38	38	1,950
Deferred Charges	--	(147,218)	(147,218)	627,875
Employees' Advances	--	(15,865)	(15,865)	42,055
Due from the Federal Government	113,953	--	113,953	(766,468)
Due from Other Funds	30,620	440,399	471,019	489,846
Stores Inventories	143,310	(12,151)	131,159	31,534
Accounts Payable	(735,082)	(1,144,755)	(1,879,837)	(202,773)
Accrued Interest on Bonds Payable	3,237	--	3,237	135,196
Due to Other Funds	(21,676,591)	(9,814)	(21,686,405)	(21,316,010)
Income Collected in Advance	2,323,742	(1,919)	2,321,823	(2,288,838)
Other Liabilities	--	1,609,424	1,609,424	(1,847,525)
Net Increase (Decrease) in Working Capital	<u>\$(19,998,072)</u>	<u>\$ 105,862</u>	<u>\$(19,892,210)</u>	<u>\$(34,352,909)</u>

The notes to the financial statements are an integral part of this statement.

DEPARTMENT OF WATER RESOURCES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1978

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements reflect the financial position and results of operations of the Department of Water Resources. The statements have been prepared in conformity with generally accepted accounting principles applicable to state and local governments as prescribed by both the American Institute of Certified Public Accountants and the National Council on Governmental Accounting.

The accompanying financial statements are structured into Governmental Fund Types, Proprietary Fund Types, a Fiduciary Fund Type, and Account Groups. The Department of Water Resources accounts for only its portion of the fund type categories. The State Controller maintains the central accounts for all state funds and publishes consolidated fund statements annually.

GOVERNMENTAL FUND TYPES

Governmental Fund Types are those through which most governmental functions are financed. The acquisition, use, and balances of the government's expendable financial resources and the related current liabilities--except those accounted for in Proprietary Funds--are accounted for through governmental funds. The General Fund, Special Revenue Funds, and the Capital Project Fund are the Governmental Fund Types in the Department of Water Resources.

General Fund

This fund includes all financial resources not accounted for in another fund.

Special Revenue Funds

These funds are used to account for specific revenues and operating expenditures earmarked for particular activities. The Special Revenue Funds include the funds described below and are shown individually in the combining statements within the supplemental information section of this report.

California Water Fund - The Department of Water Resources uses this fund to account for the construction costs of the State Water Project and loans to local agencies pursuant to applicable sections of Division 6, Part 6, Chapters 7 and 8 of the Water Code.

Natural Disaster Assistance Fund - The department uses this fund to account for the costs of making investigations, estimates, and reports of natural disasters occurring in the State.

Capital Projects Fund

This fund is used to account for the acquisition of State Water Project facilities other than those financed by enterprise funds.

The department uses this fund to account for the costs of loans to domestic water suppliers for the construction, improvement, and rehabilitation of domestic water systems.

PROPRIETARY FUND TYPES

The Proprietary Fund Types are used to account for a government's organizations and activities which are similar to those often found in the private sector in which net income and capital maintenance are measured. Included in this category are Enterprise and Internal Service Funds. The Internal Service Fund for the department is the Water Resources Revolving Fund.

Enterprise Funds

These funds account for the financing of services to the general public; those using the services pay for all or most of the costs involved. The Enterprise Funds include those funds described below and are shown individually in the combining statements within the supplemental information section of this report.

California Water Resources Development Bond Fund - This fund is used to account for the acquisition and construction of a specified portion of the State Water Project as well as for related local water projects. Also accounted for in this fund are reimbursements from water service contractors. In addition, this fund accounts for the liability and interest costs on the Water Resources Development Bonds.

Central Valley Water Project Construction Fund - This fund is used to account for a portion of the costs of the State Water Project. This portion includes the Oroville-Thermalito and Devil Canyon-Castaic power facilities as well as the project aqueduct facilities.

Central Valley Water Project Revenue Fund - This fund is used to account for the liability and interest costs for the Central Valley Water Project Revenue Bonds - Oroville and Devil Canyon-Castaic. Cost reimbursement for these two power facilities is also accounted for in this fund.

Internal Service Fund

The primary purpose of this fund is to provide for timely payment of payroll and operating costs payable from the department's other funds and appropriations.

All of the department's fund types are maintained on the modified accrual basis of accounting except as defined in footnote 14. These are some of the more significant elements:

Revenue

Throughout the fiscal year, revenues, transfers, and reimbursements are recorded on a cash basis for the Governmental Fund Types. At June 30, the accounts are adjusted to accrue earned but uncollected income. In the Proprietary Fund Types, the revenues, transfers, and reimbursements are recognized when billed unless they are billed in advance. If billed in advance, they are not recognized until the period they are earned.

Expenditures

Expenditures not capitalized are accounted for at the time claims for payment are filed with the State Controller. However, the expenditures from the Internal Service Fund for the department's other funds are recorded in the appropriate funds through a plan of financial adjustment filed with the State Controller at the end of each calendar month. At June 30, all valid expenditure commitments are accrued as expenditures against budget appropriations, including encumbrances outstanding for which no goods or services have been received.

Liabilities

Retirement Plan - Regular employees of the department are members of the Public Employees Retirement System (PERS), which is a defined benefit, contributory retirement plan. The amount the department and employees contribute to PERS is actuarially determined under a program in which contributions plus retirement system earnings provide the necessary funds to pay retirement costs as accrued. The department's share of retirement contributions for the year was \$6,549,299.

Vacation and Sick Leave - Costs of vacation and sick leave are charged at the time benefits are used rather than when they are earned.

FIDUCIARY FUND TYPES

Fiduciary Fund Types are used to account for assets held by a governmental unit in a trustee capacity. Included in this category is the Special Deposit Fund. The Special Deposit Fund includes monies received or collected for specific purposes by a state agency for which no fund has been created in the State Treasury.

ACCOUNT GROUPS

The Account Groups are used to account for General Fixed Assets and General Long-Term Debt.

General Fixed Assets

This Account Group is used to account for General Fixed Assets. Assets purchased are recorded as expenditures in the appropriate fund in the year of acquisition or encumbrance. The improvement account includes infrastructure fixed assets--that is, permanent installations such as gutters, drainage systems, lighting systems, streets, and parking lots. General Fixed Assets increased by a net of \$35,209 during the fiscal year.

General Long-Term Debt

General Long-Term Debt is the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness that is not a specific liability of any Proprietary Fund, Special Assessment Fund, or Trust Fund.

2. CASH WITH FISCAL AGENT

In accordance with the requirements of the Revenue Bond Resolutions, the Department of Water Resources appointed the Bank of America, National Trust and Savings Association, in San Francisco, California as Trustee for both the Oroville and Devil Canyon-Castaic Facilities. For Oroville, the Trustee is required by the resolution to establish and maintain funds for (1) interest; (2) principal amount of serial bonds becoming due; (3) sinking funds for the payment or redemption of term bonds; and (4) general reserve to make good any deficiency in the interest, serial maturity or sinking funds, to pay power operating expenses to the extent that the operating accounts are insufficient, to pay extraordinary repair or rebuilding costs, and to pay certain obligations to the power companies which may be incurred under the Oroville-Thermalito Power Sale Contract. For Devil Canyon-Castaic, the Trustee is required to maintain a reserve fund in an amount at least equal to the annual debt service for the next year.

Monies held by the Trustee may be invested only in certificates of deposit secured by federal securities or in federal securities. All income from the investment of monies in any fund maintained by the Trustee shall be credited to such fund as defined in the resolution.

3. INVESTMENTS IN SECURITIES

These securities are Federal National Mortgage Association notes with annual interest rates varying from 6.6% up to 7.35%. Of the \$33 million principal amount outstanding as of June 30, 1978, \$28 million has matured and has been converted to cash. The remaining \$5 million will mature December 10, 1980.

4. ACCOUNTS RECEIVABLES, CURRENT

The balance of this account consists of approximately \$4 million due from 31 local agencies contracting with the Department of Water Resources for certain entitlements to the water from the State Water Project. The amounts due from the water contractors consist of the amounts due and billed but unpaid for their share of the capital and operation and maintenance costs of the project. The balance of approximately \$9 million consists of accrued interest from the Surplus Money Investment Fund and Condemnation Deposits Fund and interest due from investments with the Bank of America (Trustee for Oroville and Devil Canyon-Castaic Facilities), investments for the department by the State Treasurer, and other miscellaneous receivables.

5. DEFERRED CHARGES

These charges consist of \$592,303 of prepayments to the State's service revolving fund for printing and other services provided by the Department of General Services. In addition, the amount of \$494,441 of unexpired physical damage and public liability insurance required by the bond resolution of the revenue bonds for the Oroville power facilities is also included.

6. ACCOUNTS RECEIVABLE - OTHER

Special Revenue Fund Types

The balance of \$10,894,847 consists primarily of amounts due from local agencies for long-term loans and deferred interest on those loans for construction and improvement of water projects.

Enterprise Fund Types

The balance of \$60,150,438 comprises these amounts:

- \$44,718,634 due from local agencies and deferred and current interest for water projects such as those described above for the Special Revenue Fund Types;
- \$9,698,900 due from the three major electric utility companies in California (Pacific Gas and Electric, Southern California Edison, and San Diego Gas and Electric). This amount represents the value of excess energy above the stated contract amount of energy made available to those companies annually;*
- \$2,278,256 due and delinquent and in dispute from the Department of Water and Power, City of Los Angeles. The amount billed is pursuant to a contract for cooperative development of the west branch of the California Aqueduct;
- \$1,848,703 due from future appropriations pursuant to Section 11913 of the Water Code;

* The \$9,698,900 is an estimate and does not represent the amount ultimately payable from these companies when the contract is scheduled for termination in March 1983.

- \$1,344,703 billed to the Federal Government for estimated future costs for the joint use of facilities at San Luis Reservoir. The billings are pursuant to a contract with the Federal Government;
- \$261,242 due from the sale of excess land.

7. PREPAYMENTS FROM OTHER FUNDS

This account consists of working capital funds for the operations of the Water Resources Revolving Fund. These prepayments were provided from other fund types of the department.

8. WORKING CAPITAL ADVANCE

This account consists of working capital funds for the purchase of equipment by the Water Resources Revolving Fund. The advances were provided from other fund types.

9. AMOUNT FOR DEBT SERVICE

This account was established in the Central Valley Water Project Revenue Fund to offset the liability for bonds payable in the amount of \$373,780,000. The fixed assets purchased from the proceeds of the sale of the bonds are recorded in the Central Valley Water Project Construction Fund.

10. BONDS PAYABLE

Bonds payable are recorded within these funds and Account Groups:

a) California Water Resources Development Bond Fund

Water Resources Development Bonds authorized by the Burns-Porter Act of 1960

Total Original Authorization	\$1,750,000,000
Less: Authorized and Unissued Retirements	(180,000,000)*
	<u>(30,200,000)</u>

Outstanding June 30, 1978 \$1,539,800,000

* This amount comprises \$167 million restricted to financing of additional facilities as defined in Section 12938 of the Water Code and \$13 million restricted to local assistance under the Davis-Grunsky Act.

b) Central Valley Water Project Revenue Fund

Revenue Bonds--Oroville (sold in 1968 and 1969) and Devil's Canyon-Castaic (sold in 1972)

Total Original Authorizations	\$384,160,000
Less: Retirements	<u>(10,380,000)</u>
Outstanding, June 30, 1978	<u>\$373,780,000</u>

c) General Long-Term Debt Account Group

Safe Drinking Water Bonds (1976)

Total Original Authorizations	\$ 175,000,000
Less: Authorized and Unissued	<u>(145,000,000)</u>
Outstanding, June 30, 1978	<u>\$ 30,000,000</u>

11. STATE CONTRIBUTIONS IN AID OF CONSTRUCTION

This account consists of equity transfers from the California Water Fund and General Fund, from special appropriations made prior to the effective date of the Burns-Porter Act (November 8, 1960), and from Tideland Oil and Gas Appropriations. These amounts are not required to be repaid to the fund from which they were appropriated. Administrative expenses and grants made to agencies under the Davis-Grunsky Local Project Assistance Program and certain funds returned to the state treasury are deducted in the financial statements from grants in aid of construction.

12. OPERATING CLEARING

This account is the connecting link between the books of the various state agencies and the central fund accounts of the State Controller's Office for the General Fund and other funds not accounted for entirely by one agency.

13. INCOME FROM STATE WATER PROJECT

Income in this account is primarily from two sources:

- Water contractor payments pursuant to long-term contracts with 31 local agencies for project water supply; and
- Sales of power generated by water project power plants.

14. ACCUMULATED DEPRECIATION

Depreciation is recognized on all improvements recorded in the Internal Service Fund. It is also recognized on all of that fund's equipment except that which is applicable to ordinary state operations.

The department depreciates the cost, less any salvage value, of each applicable item over its estimated useful life in equal annual amounts.

The department does not depreciate the constructed cost of the State Water Project facilities recorded within the Enterprise Funds. However, the full cost of these assets is recovered through charges to the water contractors pursuant to long-term contracts as described in Note 13.

SUPPLEMENTAL INFORMATION

The supplemental information consists of combining statements of fund type where a governmental unit has more than one fund of a given fund type.

OTHER INFORMATION

As an integral part of our examination, we reviewed the department's accounting procedures and related system of internal accounting control to the extent we considered necessary to properly form an opinion concerning the fairness with which the department's financial statements present its financial position and the results of operations in accordance with generally accepted accounting principles consistently applied.

Our review enabled us to suggest improvements which would result in better operating procedures and controls. A management letter describing the suggested operating improvements was issued to the department along with certain recommended adjusting entries necessary to achieve compliance with generally accepted accounting principles. The department generally concurs with the suggested operating improvements and adjusting entries.

DEPARTMENT OF WATER RESOURCES

COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS

JUNE 30, 1978
(With Unaudited Amounts for 1977)

	California Water Fund	Natural Disaster Assistance Fund	Totals	
			June 30, 1978	June 30, 1977
ASSETS				
Cash in State Treasury and Agency Accounts	\$ 61,171	\$ --	\$ 61,171	\$ 50,334
Deposits in the Surplus Money Investment Fund	19,918,000	--	19,918,000	14,792,000
Accounts Receivable - Current	888,650	--	888,650	564,154
Accounts Receivable - Other	10,894,847	--	10,894,847	9,308,124
Due from Other Funds	319,595,797	--	319,595,797	297,687,030
Allowance for Deferred Receivables	(330,490,644)	--	(330,490,644)	(306,995,155)
Advances to Architecture Revolving Fund	--	--	--	21,500
Deposits in Condemnation Proceedings	96,200	--	96,200	--
Total Assets	<u>\$ 20,964,021</u>	<u>\$ --</u>	<u>\$ 20,964,021</u>	<u>\$ 15,427,987</u>
LIABILITIES, ENCUMBRANCES OUTSTANDING, AND FUND EQUITY				
Liabilities:				
Accounts Payable	\$ 2,890,165	\$ --	\$ 2,890,165	\$ 1,814,533
Due to Other Funds	1,577,827	384,992	1,962,819	759,983
Total Liabilities	<u>4,467,992</u>	<u>384,992</u>	<u>4,852,984</u>	<u>2,574,516</u>
Encumbrances Outstanding	<u>566,574</u>	<u>--</u>	<u>566,574</u>	<u>204,016</u>
Fund Equity:				
Reserved for Construction	--	--	--	21,500
Reserved for Condemnation Deposits	96,200	--	96,200	--
Fund Balance	15,833,255	--	15,833,255	12,630,677
Operating Clearing	--	(384,992)	(384,992)	(2,722)
Total Fund Equity	<u>15,929,455</u>	<u>(384,992)</u>	<u>15,544,463</u>	<u>12,649,455</u>
Total Liabilities, Encumbrances Outstanding, and Fund Equity	<u>\$ 20,964,021</u>	<u>\$ --</u>	<u>\$ 20,964,021</u>	<u>\$ 15,427,987</u>

DEPARTMENT OF WATER RESOURCES

COMBINING BALANCE SHEET
ALL ENTERPRISE FUNDS

JUNE 30, 1978
(With Unaudited Amounts for 1977)

	California	Central Valley	Central Valley	Totals	
	Water Resources Development Bond Fund	Central Valley Water Project Revenue Fund	Water Project Construction Fund	June 30, 1978	June 30, 1977
ASSETS					
Cash in State Treasury and Agency Accounts	\$ 193,066	\$ 153,385	\$ 93,032	\$ 439,483	\$ 452,277
Cash with Fiscal Agent	--	56,754,220	--	56,754,220	53,024,693
Investment in Securities	--	--	32,991,273	32,991,273	65,298,493
Deposits in Surplus Money Investment Fund	19,041,000	8,468,500	72,550,000	100,059,500	71,596,500
Accounts Receivable - Current	5,060,345	1,379,417	3,026,296	9,466,058	9,539,832
Due from the Federal Government	--	--	113,953	113,953	--
Accounts Receivable - Other	50,190,296	9,698,900	261,242	60,150,438	58,933,829
Due from Other Funds	117,907	--	128,695	246,602	215,982
Allowance for Deferred Receivables	(5,471,662)	--	(261,242)	(5,732,904)	(5,118,184)
Prepayments to Other Funds	--	360,000	6,200,000	6,560,000	6,560,000
Deposits in Condemnation Proceedings	13,080	--	--	13,080	63,484
Supplies Inventories	1,394,274	--	--	1,394,274	1,250,964
Construction in Progress	--	--	17,196,123	17,196,123	17,196,123
State Water Project Facilities	1,860,284,962	--	483,640,508	2,343,925,470	2,320,563,613
Amount for Debt Service	--	373,780,000	--	373,780,000	375,505,000
Total Assets	\$1,930,823,268	\$450,594,422	\$615,939,880	\$2,997,357,570	\$2,975,082,606
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts Payable	\$ 3,268,245	\$ 4,412,709	\$ 995,700	\$ 8,676,654	\$ 7,941,573
Accrued Interest on Bonds Payable	14,873,662	3,063,808	--	17,937,470	17,940,707
Due to Other Funds	322,636,221	537,717	136,995	323,310,933	301,634,341
Revenue Collected in Advance	112,718	--	548,472	661,190	2,970,424
Bonds Payable	1,539,800,000	373,780,000	--	1,913,580,000	1,916,605,000
Other Liabilities	--	--	17,196,123	17,196,123	17,196,123
Total Liabilities	1,880,690,846	381,794,234	18,877,290	2,281,362,370	2,264,288,168
Fund Equity:					
State Contributions in Aid of Construction	29,935,461	--	82,661,202	112,596,663	114,439,511
Reserved for Debt Service	--	--	373,780,000	373,780,000	375,505,000
Reserved for Condemnation Deposits	13,080	--	--	13,080	63,484
Funded Reserve for Replacements	6,223,129	2,542,031	--	8,765,160	7,369,951
Fund Balance	13,960,752	66,258,157	140,621,388	220,840,297	213,416,492
Total Fund Equity	50,132,422	68,800,188	597,062,590	715,995,200	710,794,438
Total Liabilities and Fund Equity	\$1,930,823,268	\$450,594,422	\$615,939,880	\$2,997,357,570	\$2,975,082,606

DEPARTMENT OF WATER RESOURCES

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE AND OPERATING CLEARING - BUDGET AND ACTUAL
ALL SPECIAL REVENUE FUND TYPES

FOR THE FISCAL YEAR ENDED JUNE 30, 1978

	California Water Fund			Natural Disaster Assistance Fund			Totals		
	Budget as Adjusted	Actual	Variance Favorable (Unfavorable)	Budget as Adjusted	Actual	Variance Favorable (Unfavorable)	Budget as Adjusted	Actual	Variance Favorable (Unfavorable)
Revenues:									
Tidelands Oil and Gas	\$25,000,000	\$25,000,000	\$ --	\$ --	\$ --	\$ --	\$25,000,000	\$25,000,000	\$ --
Interest on Investments and Loans	1,034,897	1,597,277	562,380	--	--	--	1,034,897	1,597,277	562,380
Other Miscellaneous Revenues	--	1,513	1,513	--	--	--	--	1,513	1,513
Total Revenues	26,034,897	26,598,790	563,893	--	--	--	26,034,897	26,598,790	563,893
Appropriations	--	--	--	480,000	65,623	(414,377)	480,000	65,623	(414,377)
Total Sources	26,034,897	26,598,790	563,893	480,000	65,623	(414,377)	26,514,897	26,664,413	149,516
Expenditures:									
Current:									
Local Assistance Research and Development	111,400	111,400	--	480,000	447,893	32,107	480,000	447,893	32,107
Capital Outlay:									
State Water Facilities	25,000,000	22,869,921	2,130,079	--	--	--	25,000,000	22,869,921	2,130,079
Additional Facilities	3,800,000	476,276	3,323,724	--	--	--	3,800,000	476,276	3,323,724
Total Expenditures	28,911,400	23,457,597	5,453,803	480,000	447,893	32,107	29,391,400	23,905,490	5,485,910
Excess of Sources over (under) Expenditures	(2,876,503)	3,141,193	6,017,696	--	(382,270)	(382,270)	(2,876,503)	2,758,923	5,635,426
Other Financing Sources (Uses):									
Loan Repayments	--	61,900	61,900	--	--	--	--	61,900	61,900
Prior Year Adjustment	--	(516)	(516)	--	--	--	--	(516)	(516)
Total Other Financing Sources (Uses)	--	61,384	61,384	--	--	--	--	61,384	61,384
Excess of Sources over (under) Expenditures and Other Uses	\$(2,876,503)	3,202,577	\$6,079,080	\$ --	(382,270)	\$(382,270)	\$(2,876,503)	2,820,307	\$5,696,810
Fund Balance - July 1		12,630,678						12,630,678	
Operating Clearing - July 1		--			(2,722)			(2,722)	
Fund Balance - June 30		15,833,255			--			15,833,255	
Operating Clearing - June 30		--			\$(384,992)			\$(384,992)	

DEPARTMENT OF WATER RESOURCES
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 ALL ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1978
 (With Unaudited Amounts for 1977)

	California Water Resources Development Bond Fund	Central Valley Water Project Revenue Fund	Central Valley Water Project Construction Fund	Total (Memorandum Only)	
				June 30, 1978	June 30, 1977
Operating Revenues:					
Income from State Water Project	\$105,334,871	\$20,952,902	\$ 23,987	\$126,311,760	\$134,259,641
Tidelands Oil and Gas	--	--	5,000,000	5,000,000	5,000,000
Interest on Investments and Loans	3,146,233	5,022,219	7,050,764	15,219,216	16,490,340
Intergovernmental Revenues	2,747,478	--	413,953	3,161,431	2,179,740
Miscellaneous Revenues	42,173	--	85	42,258	39,149
Total Operating Revenues	111,270,755	25,975,121	12,488,789	149,734,665	157,968,870
Operating Expenses:					
Current:					
Operation and Maintenance of State Water Facilities	32,161,548	3,775,555	--	35,937,103	39,408,899
Bond Interest	61,795,029	20,367,492	9,690,752	91,853,273	89,792,532
Power	14,474,093	--	--	14,474,093	10,681,627
Replacement Provision	654,850	245,450	--	900,300	900,300
Inventory Adjustment	(91,371)	--	--	(91,371)	(84,550)
Capital Outlay:					
State Water Facilities	6,521	20	2,167,923	2,174,464	18,911,531
Additional Facilities	(38,375)	--	--	(38,375)	(12,234)
Davis-Grunsky Program	4,886,914	--	--	4,886,914	5,100,926
Total Operating Expenses	113,849,209	24,388,517	11,858,675	150,096,401	164,699,031
Operating Income	(2,578,454)	1,586,604	630,114	(361,736)	(6,730,161)
Nonoperating Revenues (Expenses):					
Retirement of Revenue Bonds	--	(1,725,000)	1,725,000	--	--
Prior year Adjustment	(1,252,307)	--	--	(1,252,307)	(1,186,463)
Davis-Grunsky Loan Repayments	134,145	--	--	134,145	110,344
Miscellaneous Revenue and Other Sources Credited to Capital Outlay	(160,318)	--	(85)	(160,403)	(141,493)
Capitalized Expenditures	4,855,060	20	2,167,923	7,023,003	24,000,223
Total Nonoperating Revenues (Expenses)	3,576,580	(1,724,980)	3,892,838	5,744,438	22,782,611
Income before Operating Transfers	998,126	(138,376)	4,522,952	5,382,702	16,052,450
Operating Transfers In (Out)	2,041,104	--	--	2,041,104	1,875,000
Net Income	3,039,230	(138,376)	4,522,952	7,423,806	17,927,450
Fund Balance - July 1	10,921,522	66,396,533	136,098,436	213,416,491	195,489,041
Fund Balance - June 30	\$ 13,960,752	\$66,258,157	\$140,621,388	\$220,840,297	\$213,416,491

DEPARTMENT OF WATER RESOURCES
 COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
 ALL ENTERPRISE FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 1978
 (With Unaudited Amounts for 1977)

	California Water Resources Development Bond Fund	Central Valley Water Project Revenue Fund	Central Valley Water Project Construction Fund	Total (Memorandum Only)	
				June 30, 1978	June 30, 1977
Sources of Working Capital:					
Operations:					
Net Income (Loss)	\$ 3,039,230	\$ (138,376)	\$ 4,522,952	\$ 7,423,806	\$ 17,927,450
Items Not Requiring (Providing) Working Capital:					
Amortization of General Obligation Bond Premium and Prepaid Interest	--	--	--	--	(65,226)
Working Capital Provided by Operations	3,039,230	(138,376)	4,522,952	7,423,806	17,862,224
Issuance of General Obligation Bonds	10,000,000	--	--	10,000,000	--
Deposits to Funded Reserve for Replacements	1,007,327	387,882	--	1,395,209	1,266,953
Deficiency of Energy Supplied under Oroville-Thermalito Power Sale Contract	--	3,100,783	--	3,100,783	1,800,847
Completion of Water Contractor Specialized Facilities	--	--	14,508	14,508	4,537
Total Sources of Working Capital	<u>14,046,557</u>	<u>3,350,289</u>	<u>4,537,460</u>	<u>21,934,306</u>	<u>20,934,561</u>
Uses of Working Capital:					
Net Increase in Capitalized Water Project Expenditures from the California Water Fund	21,844,219	--	--	21,844,219	20,408,378
Retirement of General Obligation Bonds	11,300,000	--	--	11,300,000	8,100,000
Loans to Local Agencies under the Davis-Grunsky Act	3,702,672	--	--	3,702,672	5,164,065
Payment of Davis-Grunsky Grants and Administrative Expenses	1,842,849	--	--	1,842,849	609,733
Retirement of Oroville Revenue Bonds	--	--	1,725,000	1,725,000	1,635,000
Construction of State Water Project Facilities	--	--	1,517,638	1,517,638	18,911,037
Total Uses of Working Capital	<u>38,689,740</u>	<u>--</u>	<u>3,242,638</u>	<u>41,932,378</u>	<u>54,828,213</u>
Net Increase (Decrease) in Working Capital	<u>\$ (24,643,183)</u>	<u>\$ 3,350,289</u>	<u>\$ 1,294,822</u>	<u>\$ (19,998,072)</u>	<u>\$ (33,893,652)</u>
Elements of Net Increase (Decrease) in Working Capital:					
Cash in State Treasury and Agency Accounts	\$ (57,975)	\$ 50,401	\$ (5,220)	\$ (12,794)	\$ (568,787)
Cash with Fiscal Agent	--	3,729,528	--	3,729,528	4,036,438
Investment in Securities	--	--	(32,307,220)	(32,307,220)	(38,932)
Deposits in Surplus Money Investment Fund	(5,400,000)	(29,000)	33,892,000	28,463,000	(15,358,000)
Accounts Receivable - Current	511,398	61,049	(646,221)	(73,774)	1,626,144
Due from the Federal Government	--	--	113,953	113,953	(766,468)
Due from Other Funds	21,044	--	9,575	30,619	115,584
Supplies Inventories	143,310	--	--	143,310	84,550
Accounts Payable	(446,790)	(492,351)	204,059	(735,082)	399,508
Accrued Interest on Bonds Payable	(19,938)	23,175	--	3,237	135,196
Due to Other Funds	(21,717,974)	7,487	33,896	(21,676,591)	(21,295,618)
Income Collected in Advance	2,323,742	--	--	2,323,742	(2,263,267)
Net Increase (Decrease) in Working Capital	<u>\$ (24,643,183)</u>	<u>\$ 3,350,289</u>	<u>\$ 1,294,822</u>	<u>\$ (19,998,072)</u>	<u>\$ (33,893,652)</u>

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps